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THE WORLD ACCORDING TO SMART

by

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Overview

The Smart is unquestionably an innovative car. Smartville, the site where it is manufactured, is equally innovative. The factory has been custom-built to optimise production flows, and it houses about ten companies which are partners in the Smart project. They are each in charge of a module of the car and they work together on the assembly line. These partners were chosen by the principal, Micro Compact Car (MCC), a subsidiary of DaimlerChrysler, not only for their professionalism, but also for their innovative skills and their ability to produce value for money. However, this situation of autonomous but interdependent companies, living together under one roof, only works thanks to constant efforts by each company involved carrying out regulatory controls and assuming individual responsibility.

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TALK : Pascal Kuhn

I have had fifteen years experience in human resources. My background has been in agricultural engineering and in-house consultancy, I started at Peugeot, then moved to Valeo and now I am Human Resources Manager at MCC Smart, the main employer on the Smartville site. MCC Smart is the result of a recent joint venture between Swatch and Mercedes-Benz, and has become almost a 100 % subsidiary of DaimlerChrysler. I am also responsible for the co-ordination of certain important concerns such as safety, communications and the environment for the entire site.

Innovation

The Smart story began with Nicolas Hayek who had the idea of building a small city car based on the same principles as the Swatch watch, in other words, a fashionable, trendy, inexpensive and very functional product. He met Johann Tomforde, an engineer at Mercedes, who had already thought up the concept of a "city car". Together they created MCC (Micro Compact Car), a joint venture which from the very outset sought to break new ground on four levels: the brand, the products, the distribution network and the production system.

The brand

The Smart is the most recent brand in the automobile sector for the past fifty years. It is now very well-known and has a good reputation. In Germany, Smart is ranked fifth in terms of innovation and first for being environmentally friendly.

Innovative models

The first model is the *City coupé*, a two-seater car intended for urban driving, which has already had three spin-offs :

- the Smart with right-hand drive, for Japan and Great Britain ;
- the Smart *Crossblade*, a coupé with no windscreen or doors. The launch was due for the Summer of 2002 and two thousand models were sold by June of the same year ;
- finally, the Smart *Diesel CDI*, the first production model which has a fuel consumption of three litres per one hundred kilometres.

A new product, the Smart *Roadster*, will be available as from the beginning of 2003. This is a car which is intended to be more sporty. In 2004, a four-seater car will be manufactured in Holland in collaboration with Mitsubishi.

The distribution network

The best known distribution centres are the round showrooms with transparent towers with Smarts inside. There are currently three hundred and twenty-nine such centres. However, other centres without towers fit in with a more urban architecture, as well as various other sales points, located at DaimlerChrysler dealers.

We were the first manufacturer to sell cars by the Internet, via Smart.com. As far as the market is concerned, we are constantly innovating since we were a European manufacturer and our aim is to become a world-wide competitor. We are going to start exporting to Japan, South Africa and perhaps, one day soon, to the United States.

The production system

Based on the same principles as Meccano, a car is made up of eight to ten sub-sets which are called modules. Each module has been assigned to a company which masters this particular part. Therefore, there are several different companies – our partners in the production system – which work together on the assembly line.

Innovation is essential for us. Creating a new brand in order simply to reproduce what our competitors are doing would not only be pointless but also impossible. We have to bring something else, something extra, to the process. This is why the company relies on innovation. We dream about it all the time, but with our eyes wide open, conscious of the need to adapt ourselves to what is going on in the real world.

The production system

At Smartville, the production system is characterised by a global approach derived from the concept of the industrial ecosystem. This ecosystem idea advocates an integrated but dynamic system, which is open and constantly changing, where the principal and the partners in the system interact on a site intended for such purposes.

A tailor-made/custom-built site

In most cases one tries to change a production system in order to suit the existing infrastructure, but in this case the factory was entirely created on a green field site which was once a marsh. This meant that the lay-out of the factory was not finalised until after the design stage of the implementation processes, and as a result, this optimised the production process.

The central building, where the production line is situated, is in the shape of a cross (+). Our partners are in other buildings close by. Not only are the logistic distances very short, but this form of building also allows for growth since the four points of the cross can be extended outwards. The very design of the building is protected by a patent.

MCC, which defines the processes and entrusts them to the partners in the system, also ensures the final assembly on the assembly line.

Partners and suppliers

Unlike an ordinary supplier, the partner is involved in the early stages of the process in the concept of the product. The partner is also present on the industrial site where, in a manner of speaking, he is part of the group, since he produces exclusively for MCC Smart. Therefore, the whole set-up of MCC and its partners is a truly interdependent and cohesive community : if production decreases, the effect is felt everywhere, whereas if activity starts increasing, then everyone has to find the means to handle it efficiently.

There are currently about ten partners but this number is not set in stone. Since the site was created, three partners have been taken over and a fourth will soon suffer the same fate. If a partner is no longer of a sufficient critical size, he becomes too dependent on the central structure and is no longer an entrepreneur but rather a body which simply carries out orders. This is contrary to the ideal of the partnership which is based on the idea of creating value and therefore on the ability of the partner to become autonomous in decision-taking with regard to his own organisation. If none of these conditions are satisfied, the result may be a takeover where the partner in question, whose employees can become part of MCC (according to the legal clause L122-12), loses all legal rights on the site.

However, the partners are not the only ones to feed/supplement the production line. Some components or sub-sets are delivered by traditional suppliers which exist outside the site. Therefore, it is an open system.

Types of delivery

There are four types of delivery to the site :

- delivery of parts by a partner in charge of making them on-site (for example, the body panels intended to be fitted onto the car body) ;
- delivery of modules by a partner in charge of assembling them on-site (for example, the whole back part of the car with the engine delivered from Berlin) ;
- direct delivery of sub-sets by an external supplier who delivers them by lorry, (for example, the air-conditioning units) ; there is never more than twelve metres between the place of delivery and the place of assembly. In addition, there is one ground rule : there should be no stock. The best way to avoid having stock is not to have the room for it ;
- lastly, delivery of small parts to partners for assembling their modules.

Optimising the logistics chain

Whereas in traditional situations many suppliers deliver goods to a manufacturer with a host of intermediary stock, at Smart the fundamental idea is to reduce the number of suppliers – no more than one hundred and fifty in total – and to have about ten partners on-site so that the logistic paths are as short as possible.

By putting into practice the principle of payment after use, we also want to share the risk with our systems partners and our suppliers. Normally a supplier is paid immediately for the parts he delivers, but at Smartville the components will only be paid for if they are satisfactory and then they are fitted into a car which is ready to be dispatched. This gives a sense of responsibility to the partners and the suppliers who not only have to deliver good-quality parts but also make sure that the flow is optimal. They are therefore jointly responsible for the production flow.

Management of human resources

When people visit our site, they often ask questions about its weak points, and the question of social frailty arises. What is this weakness ?

Smartville is a global system where one thousand nine hundred people, distributed over eleven companies, live together. The partners who employ between twenty and two hundred and fifty people – but seven companies have less than one hundred – represent altogether 60 % of the workforce, compared to 40 % for MCC, with its seven hundred and sixty employees. This situation of eleven companies of various sizes living under the same roof is not without problems. For a German investor, this may conjure up images of a sort of Gallic village where people use the market square as the place to settle their differences ! It is exactly to avoid this type of social deterioration that we formulated simple principles of social rules which admittedly are not always easy to live with, and which we have put in place with the necessary methods.

Principles

The main principles are as follows :

- each company is an autonomous unit and should be responsible for the management of its staff. Thus, the site does not constitute an economic unit ;
- the management of human resources plays a very important role with regards to the success of the entire site. The efficiency of the production cycle depends largely on the mobilisation of the staff ;
- each company has a certain amount of freedom with regards to its social policies, with one exception : policies may differ from one company to another, and this is even desirable, but they have to remain comparable in order to preserve the coherence of the whole structure.

Problems still exist

Nevertheless, there are still problems. Eleven companies present on the site means :

- eleven managers. Even if there are only twenty employees in a company, each one still requires a manager ;
- eleven mother companies, often located in Germany, of which each manager represents a branch ;
- twenty-three trade union representatives and five representative trade union associations ;
- seven works councils ;
- and eleven workers' representative assemblies.

There are no reasons for having a trade union presence on the site since Smartville is not an economic unit. Of course, government inspectors, the Employment Department, and generally speaking all the representatives of French administration would like there to be a trade union presence, because it is a real problem just to know to whom to direct questions. Ultimately, they have to contact eleven autonomous companies.

It is complex, but at least the system is open. Frequent communications exist between the trade unions in the Moselle *département* and the headquarters in Germany. Having said that, employee relations in France are not exactly the same as in Germany, and it is not easy to explain to a German manager how to negotiate with French trade union representatives for whom any signed paper may be negated.

Management by networks

The entire site is managed according to a matrix organisation based upon the principle of networks. Each autonomous company appoints delegates, according to their particular skills. These delegates have to co-ordinate with their opposite numbers in the other companies. In this way, a network based on such relationships on the same hierarchical level across the companies is created for safety, information management, public relations, the environment, employee relations, and so on. MCC does not claim to be in charge of the organisation of these networks but would rather that the partners involve themselves in these relationships.

The network for the management of human resources meets once a week, and is run by a coordinator. The variety of different titles for the eleven human resources representatives is a problem in itself. The company which has twenty employees appoints a 'secretary', another partner calls the position a 'factory manager', MCC a 'human resources manager', and so on. Each person has a different view of the problems and a different level of autonomy according to the responsibility he exercises in his particular company, but nevertheless, everyone has to manage the site together.

Methods

Methods were put in place so that the "village" could live harmoniously.

A social charter explains the way in which employee relations are managed in each company and reminds the employees of the commitments of the management and the staff representatives. This charter can be summed up in the maxim « together we are stronger ».

Jobs are managed according to the scale of the site. If it were not organised like this, then an employee who had been made redundant by a Smartville company might be re-employed the next day by another company on the site, which is not necessarily a very happy state of affairs. Similarly, if the eleven companies recruited at the same time, then a candidate might have eleven separate interviews. This is why we pool our resources for recruitment and work closely with the ANPE (French government employment agency). In addition, the list of available jobs in each company is published monthly in a local newspaper, so that an employee can apply for a job at a neighbouring company. An on-site agreement enables employees to transfer from one company to another without losing their seniority. We encourage this job movement.

Finally, a newspaper entitled *Together for Smartville (Ensemble pour Smartville)* aims to give the latest information about the site to all the people who work there.

Personal responsibility

With just three hierarchical levels, we have put in place a structure which encourages each employee to feel responsible for his personal involvement. In the knowledge that there is a basic team, without any hierarchical status, consisting of five to seven operators, of which one is the lead, the three levels are as follows :

- the *group coach*, who runs several teams ;
- the *team coach*, who runs several *group coaches* ;
- and the managing director, who runs several *team coaches*.

Team organisation

We emphasise the importance of the organisation and the running of the teams. This is why, rather than using the word 'leader' or 'boss' we use the word 'coach' to describe the hierarchical superiors, quite simply because we ask them to organise and run teams and accompany them successfully. The job of a coach is not to reproduce an identical situation ; we ask him to instigate change so that the people of whom he is in charge, continually adapt themselves to the ever-changing environment of Smartville. Six months do not go by without a new product being launched.

A difficult role

The director of human resources for MCC should therefore organise and run the network of the eleven managers in charge of human resources on the site. He must not manage them with too much authority, for fear of the partners tending to lose their own sense of responsibility but he should nevertheless make sure there is enough coordination. For example, if one of the partners in the system pays his workforce a bonus equivalent to two month's salary whereas another partner is in chronic deficit, the system cannot hope to work.

The important ability to organise a team is very difficult to implement. More often than not, those in charge are not used to organising or creating team spirit but prefer managing. It is also a question of social recognition : the team leaders, like the coaches (I myself am a team coach) would prefer to be called boss, director or something similar. Furthermore, outside Smartville we no longer call ourselves team coaches but senior managers : apparently it gives us more credibility !

In reality, the lead organises and runs his team members much as a manager would his fellow managers. They use their same talent for organisation upon which everything is based. A book entitled *The strategy of partnership (La stratégie du partenariat)*, which will soon be published by Eyrolles, tells the story of the last eight years of the project. One of its conclusions is that cohesion between partners is very difficult to achieve. Crises which have occurred have only been overcome by charismatic leaders who have been able to run the team and bring together the synergies.

The evolution of the site

In 2003, we are going to produce the *Roadster*, a new car which will exist in two versions, a model with a boot, and a coupé with a glass top. This kind of car will strike more of a chord than the *City coupe* and will have a short life cycle.

To make money from such a product, we have devised a new system of production, still based on the modular approach, and where each professional is in charge of his own module, while MCC carries out the final assembly of the entire car. However, this time the MCC partners will all be grouped together in the same building, the *Smart mall*, which conjures up the image of a shopping centre. As far as the *City coupé* was concerned, each partner was on his

own premises in a nearby but independent building, but this will not be the case for the *Roadster*. This operation is very attractive in economic terms. The investment is minimal due to the very great geographical density of the installations. Everything required for the manufacture of a car will be grouped together in the same building and the production costs will be minimal since the volume of stock will be zero or very much reduced.

However, under these circumstances, one tries to predict how the employees will behave and how the responsibility will be shared between each partner and MCC. The management of human resources will have to be carried out using a new method since everyone will be under the same roof, and the idea of belonging to a different company will undoubtedly lose a great deal of its meaning.

DISCUSSION

Rigour

Question : *In 1994, Noël Goutard, chairman and managing director of Valeo, came here to give a talk entitled Succeeding by taking a firm line (Réussir par la fermeté¹). Do you think that the MCC style and the Valeo style are very different ?*

Pascal Kuhn : The organisation of Valeo and Smart clearly have certain points in common. Noël Goutard insisted that all the production sites were of the same standard. The same idea can be found at Smart where the production system is described in a very detailed way. In the German culture, when one carries out a project, one starts by describing a concept and subsequently, in the operational phase, one avoids questioning this concept, whereas the predominant French way of thinking is to proceed by reiterating at each stage. At Smart the concepts are very clear, and we have been quite firm with regard to their implementation.

The rigorous management and running by the production variables is another point in common. At any one time, Noël Goutard knew the status of each of his sites at Valeo thanks to reporting indicators. Similarly, at MCC each unit constantly keeps a close eye on its variables which generate value. The difference is that each unit does not do this for the chairman's benefit but for itself since its salaries depend on it. In fact, we have a payment system which is performance-related and which represents at least 12 % of all our staff's salaries, including the operators, and between 25 % and 30 % of the executives' salaries, depending on whether they reach their objectives to achieve value.

Transparency

Q. : *In your system, co-operation seems to be based on total transparency. Does this mean that you allow the financial results of each unit to be known ?*

P. K. : There is effectively almost total transparency. For example, our buyers calculate the price they pay the system partners on the level of production costs of the modules so that the buyers have a sufficiently large margin. This implies that they are aware of their accounts beforehand. This is why most of our partners adopt an *open book* system.

Despite this, negotiation is not a great deal easier since certain issues are beyond Smartville's control. A partner may have sixty employees at Smartville while at the same time may supply Mercedes and Chrysler. Certain negotiations are made at site level and others at group level but with considerable difficulties.

¹ Noël Goutard, *Réussir par la fermeté*, Les Annales de l'École de Paris Vol. 1.

Reactions of the shareholders

Q. : *How did the shareholders react ?*

P. K. : Who are the shareholders ? MCC not only has the Smartville production site in the Lorraine region, but also a development site in Germany near Stuttgart, which employs one thousand people. DaimlerChrysler is the 100 % shareholder of the MCC group, but holds only 75 % of the factory in the Lorraine. 25 % of the capital of MCC France is held by a company in charge of re-industrialising the eastern part of the Moselle *département*.

DaimlerChrysler is therefore the majority shareholder. Its shareholders are not very satisfied. The share price fell after the takeover of Chrysler by Daimler Benz, and this is the first year that the dividends have fallen on a group level. Nevertheless, the managing director of DaimlerChrysler has managed to convince his shareholders that his strategy was correct. With the current trend of the concentration of car manufacturers, the alliance between Chrysler and Mitsubishi is necessary for Smart to be in the top five World leaders. This will be made obvious by large savings from which Smart will benefit, notably the manufacture of a four-seater car in the Netherlands in a factory jointly managed by Daimler and Mitsubishi, and which will be marketed both under the Smart and Mitsubishi brandnames. As a result, the shareholder agrees to put money into the kitty in the hope that he will be rewarded in a few years.

In fact, the very strong reputation of the Smart brand reassures its shareholders. In Germany and Italy the results are excellent : there are more Smarts in Rome than in the whole of France. Having said this, cautious marketing analysts say that France needs a certain time to get used to change, and undoubtedly next year the French market will be commercially ready. These observers said the same thing about mobile telephones with regards to the French market. In Germany, Smart has become a cult brand. Gatherings of Smart owners are regularly organised, Smart *objets d'arts* circulate, one can get Smart body-tattoos, the police use Smart cars, generally speaking everyone wants a Smart and this message is very clear.

Q. : *It seems that the Twingo was a success in France but not in Germany...*

P. K. : I congratulate my colleagues at Renault. In Germany, the Twingo is still in tenth place despite being launched ten years ago. The Smart ranks third for compact cars, but we would be very happy if in ten years' time we were still in the top ten with the same product.

Managing stress

Q. : *A system which determines that it should not have any stock is extremely fragile. Since you know that each break in supply blocks the whole system, how do you cope with the stress which this produces ?*

P. K. : Of course we try to avoid interruptions on the assembly line, if there is a problem related to quality occurring on the production line, and a qualified operator who has been called in as a reinforcement is unable to solve it, then he has to switch on an alarm signal and the whole factory comes to a halt so that the compliance norms can be put into place immediately. Due to this rule, which we consider very important, factory production was halted by about 15% to 20% of the time during the first year, but currently we have an overall output rate of 94 %. What is it at Renault ?

Speaker (Renault) : 98.

P. K. : 98 ? Well done ! But everything depends on how it is calculated ! The overall output rate should take into account the time genuinely spent on the production of cars without defects. I think that 98 is very good ! We are at 94, and our objective is to get close to 96, but it seems very difficult to do better than that.

Q. (Renault) : *But at Renault we don't stop the assembly line.*

Q. : *And there is stock.*

P. K. : In that case, the 'non-quality' or imperfect goods are handled later. This additional time should be integrated into the calculation of the overall output rate.

Q. : *But if a lorry delivering sub-sets gets stuck on the motorway, doesn't the factory have to stop ?*

P. K. : To avoid this sort of problem, we have of course made provisions for sufficient numbers of sub-sets to be available which then enables us to continue production until another lorry arrives.

Q. : *And if black ice makes all movement of traffic impossible ?*

P. K. : In the region, roads are cleared of snow and this problem does not arise.

Q. : *Stopping production because of a breakdown and then solving the problem is what the Japanese used to do. They called it the worst-case scenario !*

P. K. : I prefer to say that it is primarily a case of making the operator responsible for quality. If he notices that a car on the line has a fault, and if he cannot correct it, it is his responsibility to stop the factory. If he does not, then it is the client who will lose out. Responsibility is our obsession.

Having said that, in order for the global output rate to be stabilised, we have a policy of preventing production being halted and of making the plant reliable. For example, when there is a breakdown, if the operators intervene in less than five minutes, each month they receive an additional 12 % of their salary. They are under great pressure, but the assembly line has to keep going. Like the suppliers who deliver, the partners are equally under pressure and it is a fact that it is stressful. However, at the same time, in order to produce economically, this method seems to be the best even if the factory runs the risk of being stopped.

In reality, it has never been stopped because of black ice, and only for one or two days because of industrial unrest, and in that case the union representatives agreed to work on Saturday in order to make up for the reduction in production during the strike. The system works, but one has to spend a great deal of time organising and bringing together the necessary energy.

Q. : *You limit stock further up the production chain, but what is the volume of stock downstream, in other words, between the end of the assembly line and the final customer ?*

P. K. : Programming production is fixed three weeks in advance. Consequently, the optimal delivery time is three to four weeks. In the factory itself, the stock currently being created represents eight hours of production equivalent to five to six hundred cars. The stock of finished cars is limited by the two thousand five hundred parking spaces available. This stock only represents four to five days of production.

Since we only have limited stock, the factory is run according to client demand. The director of human resources is therefore under stress, since he has to try to manipulate the timetables in order to adapt them to the demands at the sales points. As far as these points are concerned, the best scenario would be to stop production during the months of November and December, and to produce around the clock from April to June. The problem is that the assembly line operators do not take their holidays in November and December but in July and August. Therefore, there has to be negotiation and many clever ways in which to reduce our stock as much as possible without causing any industrial unrest. The two big levers which can be used are the flexibility of the timetables and the variation of the number of cars manufactured per minute which is directly a function of the number of operators working on the line. But it is never a sure thing.

Q. : *Do the distributors have stock ?*

P. K. : If they do, it's not our problem, but we take a dim view of that because it distorts our picture of the real demand of the customers over a given period.

A strong but fragile system

Q. : *Your talk makes me have doubts. Any economist will tell you that the situation of a supplier who only delivers to you, and who in turn is your sole supplier is an unstable one. For example, the supplier who delivers the seats is very tempted to say « I think that you should pay more for my seats. It's not good enough ! ». As for the buyer, he could say « your seats would be better if they were modernised. If you drop your price by 15 % I might be happier about it ». These temptations are constantly present, but it would benefit no-one to upset the system. Why ? Because it is based on three factors which are strong but at the same time fragile, namely prosperity, the dream, and charismatic management. The most obvious source of fragility is prosperity : the day when there is a little less hay in the haystack, someone is going to suffer. As for the length of the dream, there is nothing we can do : if the clients suddenly start preferring a competitor's model, the worst scenario may take place.*

In the past, there were many such magical achievements, but as Paul Valery said, we know that civilisations are mortal. In April 1991, IBM was at its height. Six months later it was bankrupt. The danger is imagining that one has already succeeded, whereas it is better to keep asking oneself the reasons why something is successful...

P. K. : I hope that I did not paint too rosy a picture. We are fully aware that our system is not a panacea. If we were the best, we would know it and we would be earning lots of money whereas at the moment this is not the case. You are absolutely right : there are limits, but it works because it is in everyone's interest. Of course, important partners such as Bosch, Eisenmann, and Dynamit Nobel are not putting their futures on the line with between sixty and two hundred employees working for Smart, but if it works, they are good references to have. It is new and it certainly foreshadows the future of relations between the principals and the suppliers in the automobile sector. Johann Tomforde, the first promoter on the site, said that it was a "Lerninsel", an island of learning. Investing by learning might be lucrative.

Contrary to what normally happens in the automobile sector – when the number one supplier is no longer satisfactory and is replaced by the number two supplier – at MCC the relationship with a partner is based on a contract and is on a long-term basis. In return, we ask him to let us benefit from his gains in productivity and we suggest he benefit from ours. These contracts last between five and seven years. Despite certain hitches – for example, as I mentioned, a partner was bought out and three others were taken over – this model, where both groups stand to gain, is satisfactory.

Having said that, what would happen if the Smart did not sell any more ? We have proved in the past the adaptability of the system. When the marketing of the Smart was postponed for six months, the site did not close down, and intelligent solutions were found to avoid partial unemployment and therefore to maintain salaries.

S Q. : *You say that you do not make any money. How do you compensate for this problem ?*

P. K. : It is the shareholder who ensures the financial backing. Our objective is to balance our accounts in 2004. When one creates a new brand of car, it is unlikely to expect to make any money for at least four or five years.

Would you do the same all over again ?

Q. : *Hasn't the modular concept been put into question these last few years in the automobile sector ? Will the experience of the Smart be replicated on other sites ?*

P. K. : To my knowledge, Smartville is the only site in Europe which really works on the basis of the integration of a number of partners. Experience shows that the more partners there are, the more complex is the management of the whole structure and consequently more costly. If we had to do the whole thing again, we would greatly reduce the number of partners and be more selective with regard to generating value without which, the structure of a partnership costs more than it brings in financial terms to the system.

An economic unit ?

Q. : *You have declared that Smartville was not an economic unit, a fact which seems nevertheless surprising when you show elsewhere that your partners are geographically grouped to work exclusively for you. I think this needs some explanation.*

P. K. : It is not simply a question of an economic unit, since each company is its own boss. It has its own management and its own independent organisational. MCC has no right to interfere. This autonomy is important since it forces people to think about being individually responsible. One cannot ask a company to be responsible while at the same time claiming to manage its employee relations.

Nevertheless, it is true that MCC carries out the maintenance of the installations of certain partners, rents out buildings for them, manages the canteen and the medical services, mows the lawn, which effectively presents many aspects which may cast doubt on the freedom to undertake matters alone and which may make the manager of a partner-company feel a little bit frustrated.

Q. : *Since your partners do not have direct access to their clients, they have no choice but to follow you or leave you and it is you who takes the strategic decisions in reality. Furthermore, since I am personally convinced that social strategy is only a facet of company strategy, I do not see how in this context they can really have their own social strategy.*

P. K. : The independence of a company which has access to the market and which makes strategic decisions is a bit of a myth. MCC is a contractor in the assembly of cars. Our freedom lies in our decision to provide this service correctly or otherwise. In this sense, the autonomy of a partner in the system is as important as that of MCC, and since he is entitled to his say in the global organisation and the management of the programmes, it seems to me that he has much more freedom than a traditional supplier who is confronted with more variations in the demands of his clients and risks and can simply be replaced if he cannot satisfy them.

Ensuring the stability of the quality of the assembly service is a big job for a manager and we hope that our partners will make sure that their social strategy does not endanger this stability, which is not as easy as all that in an environment where talent is rare and competition is fierce in terms of salaries. Our policy for wages should be ambitious while at the same time it has to be capable of negotiating concessions with trade union organisations.

Q. : *All the same, are you not tempted to react strongly when problems arise in the relationships with your partners ?*

P. K. : The fact that we are geographically close allows us to resolve this sort of situation. The operators know each other, they meet up in the staff canteen and chat. If an MCC operator notices that an engine is unsatisfactory, he reacts immediately and notifies the colleague who has just delivered the engine to him. In another company, because of administrative problems, it would take three days.

Q. : *You are not the only ones to let different legal entities operate on the same site. This is quite a well contested situation, in particular for French trade unions who in such conditions demand relative equality in terms of the treatment of staff.*

P. K. : Admittedly the union representatives are in favour of equal treatment, but in the end everyone realises that different systems could work together as long as they are homogenous and similar. And this is what we look for primarily, without at the same time forcing the

partners to be more or less heavy-handed or more or less 'hands-on' in their management style, for example.

Q. : *Despite it all, since you intervene in the staff policy of your suppliers, the government labour inspector probably tells you that what you are doing is a subcontracting offence.*

P. K. : It is true that the government labour inspector regularly bothers us with the right to intervene but at the same time he gives talks about the new relationships between partners and principals in Paris. What we are doing can't be all that bad !

Social regulation

Q. : *How does MCC react if one of its partners goes on strike and thereby halts the assembly line ?*

P. K. : MCC does not intervene directly. At Smartville, it is a social forum– an authority which brings together all the managers and union representatives – which studies the situation and attempts to put pressure on the partner where the conflict started so that it can be resolved quickly. The partner concerned feels both the pressure from his fellow managers (of other partner companies) and from his employees. Of course, MCC takes part in the discussions in the social forum, in general in its capacity as a guest. Pending the resolution of the conflict, the other partners are not laid off and we can continue to pay them because we want to encourage them to work.

Is Smartville a Utopia ?

Q. : *Admittedly Smart is a new brand, and the City coupé is an innovative car. I think that Smartville is quite obviously a Utopia. At the beginning, it was a very conceptual approach because you have tried to make it into a "learning island", in other words, an entity where something happens there which is different from the rest of the world. The impression I have, in listening to your talk, is that it did not stay an island for very long, and that the Utopia got back to normal more quickly than expected. It appears to me that if Smartville were really to become an island, then it would have been increasingly autonomous with regards to Daimler, with its own research and development centres. But perhaps I am wrong...*

P. K. : In my introduction I said that it is true that in the beginning we were not satisfied with just making another car. We also wanted to revolutionise many things. If in reality some of these things were conventional, I would like to emphasise that many of them were innovative and that some Utopias have become reality.

Even so, we did not dream of becoming an autonomous company and we certainly did not want to be an island. Furthermore, we know how dangerous it would be to be an isolated island and to pretend to be doing better than our competitors. Our sole claim is to carry out the best assembly possible at the best price, and to create value for our shareholders and our clients.

This is not to say that Smartville is a site like the others. It is undoubtedly due to the fact that the production system is unique, but also due to the ambition and the style of management which underlie it and make it, in my opinion, more adaptable.

A happy man ?

Q. : *In this operator's paradise where the managers do their utmost to make their own lives a misery, are you a happy man ?*

P. K. : Yes, otherwise I wouldn't be here ! However, we are not here to make people happy but to provide the best quality of assembly at the best price. We have a turnover of less than 5 %. If people were not satisfied with the living conditions on the site, they would not stay.

People often say to me that with only seven hundred people to manage, I am a very small human resources director. My reply is that it is not the number of people which makes a job

interesting but the system itself. And at Smartville, the system is complex and has to remain efficient. This is why this job interests me.

Presentation of the speaker :

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